Chapter-III

SOCIO-ECONOMIC PROFILE OF THE STUDY AREA

India and the United Arab Emirates are poised for exponential growth. Both the countries are rediscovering each other as valued economic partners. Indian companies are arriving in the UAE in droves as the latter has already positioned itself as a major global destination of trade investments and services.

India’s trade with UAE is expanding at an astounding pace. India’s interest in shoring up business ties with UAE is evident from the fact that, from about 85000 companies registered with the Dubai Chamber of Commerce and Industry around 11200 are Indian partnership companies. Indian firms have moved in a big way to the Free Trade Zones set up in the UAE in order to take advantage of the liberalized business environment that prevails there.

The present chapter provides a comprehensive profile of India and the United Arab Emirates relating to their socio-economic backdrop and the potentials of the two trading partners for a greater trade and economic relationship for the coming decades. The profiles include the socio-economic details of UAE in general and the seven emirates constituting the UAE and the general economic parameters of India.
UNITED ARAB EMIRATES – A PROFILE

Geography

The United Arab Emirates has a total geographical area of 83,600 square kilometers. The Emirates are bordered by the Gulf and Musandam Peninsula to the north, by Oman to the east, by Saudi Arabia to the south and west, and by Qatar to the northwest.

Land Boundaries

The UAE’s land boundaries total 867 kilometers. The emirates border Oman to the north and east (410 kilometers) and Saudi Arabia to the west and south (457 kilometers).

Length of Coastline

The UAE has 1318 kilometers of coastline along the Persian Gulf and Gulf of Oman.

Climate

The climate of the UAE is generally hot and dry. The summer months (July and August) are the hottest, with temperatures exceeding 40°C coupled with very high humidity. The average temperature in the winter months (January and February) is 17°C-20°C.

Natural Resources

Oil and natural gas are the primary natural resources in the UAE and petroleum production is the most important industry.

The Emirates comprise a federation of seven small former Sheikhdoms. Among them Abu Dhabi is the largest Emirate and the
remainder – Dubai, Sharjah, Ajman, Fujairah, Umm-Al-Quwain and Ras-Al-Khaimah are known collectively as the northern states. The land is mountainous and mostly desert. Abu Dhabi is flat and sandy and within its boundaries is Buraimi Oasis. Dubai has a 16 km deep water creek giving it the popular name of Pearl of the Gulf. Sharjah has a deep water port on the Batinah coast at Khor-Fakkan facing the Indian oceans. Ras-Al-Khaimah is the fourth emirate in size, Fujairah one of the three smaller sheikhdoms located on the Batinah coast, has agricultural potential while Ajman and Umm-Al-Quwain were once small coastal fishing villages.

**Economy of UAE**

The UAE has an open economy with a high per capita income and a sizeable annual trade surplus. UAE’s wealth is based on oil and gas output (about 33% of GDP). The fortune of the economy fluctuates with the prices of these two commodities, since 1973 the UAE has undergone a profound transformation from a impoverished region of small desert principalities to a modern state with a high standard of living. The oil reserves of the Emirates are expected to last for more than 100 years.

The UAE has a vibrant free economy with a significant annual trade surplus. Successful efforts have been made to diversify away from the dependence on oil and gas exports and a solid industrial base has been created together with a very strong service sector. The establishment of free zones has been an important feature of
this diversification policy and reform of property laws has given a major boost to real estate and tourism sector. Foreign workers working in sectors as diverse as Hospitality, Healthcare, Technology, Oil and Gas, Financial Services and Constructions. UAE is gateway to Gulf.

International companies are also investing heavily in the UAE, lured by the strength of the UAE economy, the regulatory policies and the overall ‘can do’ approach toward commercial activities. Again it was the WTO that pointed out that the low trade barriers and focus on creating industry hubs, or clusters, where organizations from the same sector can create a vibrant community have served the UAE well. The more diversified a country is both in terms of output and exports, the greater the economic resilience.

**Industries**

Major industries of UAE consist of oil and gas, petroleum, fishing, petrochemicals, construction materials, boat building, handicrafts, aluminium, cement, ship repair, textiles, ceramics, tourism, transport, real estate, financial services, etc.

**Exports**

The UAE’s exports in 2008 amounted to $ 207.7 billion. Export commodities include Crude Oil, Natural Gas, Re-exports, Dried Fish and Dates.

Exports partners include Japan 23.6%, South Korea 9.2%, Thailand 5% and India 4.8%.
**Imports**

The UAE’s imports in 2008 amounted to $ 141.1 billion. Import goods include machinery and transport equipments, chemicals, food, etc.

Main import partners include China 12.8%, India 10%, USA 8.7%, Japan 6.11%, Germany 5.9%, UK 5.3% and Italy 4.6%.

**Labour Force**

According to 2008 estimates the total labour force of UAE is 3.266 million. Sectorwise labour force in agriculture was 7%, industry 15%, services 78%. The UAE’s unemployed labour force was 2.1% (2000 estimates).

**GDP**

Sectorwise GDP in agriculture was (1.6%), industry (61.8%), services (36.6%), GDP of UAE was $ 186 billion (2008) and the growth of GDP was 8.5%. GDP per capita was $ 40,400 (2008).

**Currency**

United Arab Emirates Dirham (AED)

**Exchange Rate**

3.67 Dirham per US $. The UAE Dirham has been officially pegged to the US dollar since February 2002.

**Fiscal Year**

Calendar Year
Population

According to the end of year estimates of the UAE National Bureau of Statistics, the UAE’s population reached 8.26 million in 2010 compared to 5.01 million in 2006, representing a growth of 65 percent in four years – as strong economic growth attracted workers from all over the world. The population of the UAE in 1971 was 0.279 million, the census of 1980 put the population at 1.04 million. According to the estimates of 1991 the UAE’s population was 1.90 million. According to the 2005 estimates UAE’s population was 4.4 million. The population of the UAE in 2007 was 6.21 million. In 2008, the population of the UAE was 8.07 million. In 2009 it was 8.19 million. Majority of the UAE residents are foreigners, only 15-20 percent of the total population is UAE citizens. The rest include significant numbers of other Arabs, Palestinians, Egyptians, Yemenis, Omanis, as well as Indians, Bangladeshis, Iranians, Afghans, Filipinos and West Europeans.

Education

Education is considered a key element in developing the necessary skill levels for growth and modernization in the UAE. The UAE government offers free education to all UAE citizens and Arabic speaking children of expatriates employed in the public sector.

Educational institutions in the UAE consist of public and private sector schools, military schools, higher education and vocational training establishments. The existing educational structure
was established in the early 1970s and consists of a four-tier system covering 14 years of education, as follows: kindergarten (4-5 years old); primary (6-11 years); intermediate (12-14 years) and secondary (15-17 years). For higher education UAE citizens are entitled to choose between study in the Emirates University or abroad through a generous scholarship system. Primary school education is compulsory for all UAE citizens.

Educational standards among UAE citizens are rising rapidly. The UAE University in Al-Ain had roughly 17000 students in 2004. The higher college of technology, a network of technical vocational colleges opened in 1989 with men’s and women’s campuses in each emirate. Zayed University for women opened in 1998 with campuses in Abu Dhabi and Dubai. American university Sharjah had over 4500 students enrolled in 2007. Many foreign universities including ones from the US, UK and Australia also have campuses in the UAE.

Infrastructure

The infrastructure consisting of transport communication and power have been adequately developed in UAE.

Transport

The UAE’s road and maritime transport infrastructure is similarly well developed in part driven by competition among various emirates to attract shipping to their ports. The state airline,
Emirates is successful and profitable having established a good international reputation as a high quality carrier.

**Communications**

Internet penetration in the UAE is the highest in the Arab World according to 2001 survey commissioned by the Arabic-English Portal ajeeb.com.

The US $ 250 million Dubai Internet City (DIC) opened in 2000 has made Dubai the regional centre for e-commerce, attracting major international telecommunications firms. The DIC offers various incentives to companies that locate there, including 100 percent foreign ownership rights, tax free corporate earnings (guaranteed for 50 years) exemption from customs duties, and full rights to repatriate profits.

**Energy**

Industrial demand is rising sharply driven by demand in energy-intensive industries such as aluminium smelting and petrochemicals production. To help meet the demand, the federal government has announced extensive plans to expand power generating capacity as well as to create a national power distribution grid.
Profile of Seven Emirates of the UAE

The profiles of the following seven emirates constituting the UAE are provided here.

➢ Abu Dhabi
➢ Dubai
➢ Sharjah
➢ Ajman
➢ Fujairah
➢ Umm-Al-Quwain
➢ Ras-Al-Khaimah

ABU DHABI - COUNTRY PROFILE

Geography

Abu Dhabi is the largest of the seven emirates which make up the UAE, occupying almost 87% of the country’s total area. Sabkha (salt flats) line much of Abu Dhabi’s coastline, but inland the emirate is comprised of sand and gravel desert. To the south, the dunes of the Rub Al-Khali (Empty Quarter), the largest sand sea in the world, rise from the flats and stretch for hundreds of miles across Saudi Arabia. Mountainous terrain in the east of the territory runs along the Oman border. Jebel Hafeet, which towers over the city of Al-Ain, rises to an impressive 1180 metres above sea level, while Abu Dhabi’s coastline is peppered with more than 200 islands. The climate is very dry, with minimal rainfall during winter months. For much of the year, the temperature is pleasant, although in
summer temperatures reach the high 40°C with a paralysing 90% humidity, particularly on the coast. The city of Abu Dhabi, which sits on an island in the Gulf, is the capital of both the emirate and the UAE. The emirate’s other principal city is Al-Ain, which has sprung up around seven oases on the Oman border and is also particularly dear to the ruling Al Nahyan family.

**Formation & Recent History**

The UAE is a federation of seven sheikhdoms: Abu Dhabi, Ajman, Dubai, Fujairah, Ras-Al-Khaimah, Sharjah and Umm-Al-Quwain. Along with Bahrain and Qatar, these emirates became known as the Trucial States on account of a defence pact they signed with Great Britain in 1853. Following British withdrawal from the region in 1971, the emirates, fearful of their larger neighbours, drew together under the guidance of Abu Dhabi’s ruler, Sheikh Zayed bin Sultan Al Nahyan, and the original six were federated as the UAE. Qatar and Bahrain chose to remain independent, while Ras-Al-Khaimah joined the federation in 1972.

Oil was first discovered in Abu Dhabi in 1958, followed by further discoveries in Dubai and Sharjah. Offshore oil exports began in 1962 and onshore exports a year later. In just four decades, the revenues from oil and gas have transformed the pearl-diving community of Abu Dhabi into one of the wealthiest cities in the world, where gleaming high-rises soar from an artificial oasis of lush gardens and palm-lined avenues.
In November 2004, the population mourned the death of Sheikh Zayed bin Sultan Al Nahyan, Abu Dhabi’s ruler since 1966 and President of the UAE since its formation. Sheikh Zayed was instrumental in the formation of the UAE in 1971 and is credited with adeptly guiding the oil-producing state through decades of peace and stability.

Zayed was widely admired and respected both locally and internationally for the fair way in which he distributed the country’s wealth and for his skilful diplomacy. Sheikh Khalifa bin Zayed Al Nahyan, Zayed’s oldest son, became ruler of Abu Dhabi and was elected President of the UAE while his half-brother Sheikh Mohammed bin Zayed Al Nahyan became Crown Prince of Abu Dhabi and Chairman of the Abu Dhabi Executive Council.

**Population**

According to the Abu Dhabi Department of Planning and Economy, in 2006 the population of the emirate was 1,463,491. As the emirate covers 67,340 km², nearly 87 percent of the UAE, the population density is 21.73/km². Abu Dhabi also ranks as the 26th most expensive city in the world, and the second most in the region behind Dubai.

As of 2001, 25.6 percent of the population of the emirate was made up of UAE nationals. Approximately 74.4 percent was expatriates. The median age in the emirate was about 30.1 years. The crude birth rate, as of 2005 was 13.6 percent while the crude
The death rate was about 2 percent. The majority of the inhabitants of Abu Dhabi are expatriate workers from India, Pakistan, Bangladesh, Sri Lanka, Philippines, the United Kingdom, Ethiopia, Somalia and various countries from across the Arab world. Consequently, English, Hindi, Tagalog, Bengali, Malayalam and Urdu are widely spoken.

The native born are Arabic-speaking Persian Gulf Arabs who are part of a clan based society. The Al Nahyan family rules the emirate and has a central place in society.

It is not unusual in the Gulf for the local population to be in the minority, but the proportions are more extreme in the UAE than elsewhere. The large number of expatriate workers skews the demographic balance. Since most expatriate labourers do not earn the minimum Dh4000 per month required to bring their families into the country, the percentage of non-nationals who are men stands at 72.3%.

The local population is predominantly Sunni Muslim and most of the imported labour is also Muslim, although this is by no means a pre-requisite. There are also many expatriate Christians, especially from South Asian islands and from Europe. Islam is the official religion of all seven emirates and the federal UAE. The government generally adheres to the principle of religious tolerance, and freedom of worship is enshrined in the federal constitution, provided that religious practices do not conflict with public policy or
violate public morals. There are several Christian churches across the country, often located next to mosques.

**Education and Employment**

Mandatory primary and secondary schooling has resulted in a comparatively strong literacy rate, currently set at 91%. Higher education has been particularly successful in Abu Dhabi in recent years. There are two government-funded universities: Zayed University, which has campuses in Abu Dhabi and Dubai, and UAE University based in Al-Ain. Abu Dhabi also has two private institutions: Abu Dhabi University and Al-Hosn University. The Sorbonne University was opened in the capital in October 2006 further raising the profile of the emirate and providing the catalyst for further international education initiatives in Abu Dhabi. The Higher Colleges of Technology (HCTs) were founded in 1988 and offer a more technically driven programme of courses in IT, engineering and technology. In 2005 there were 15,000 students enrolled at the HCTs’ 12 single-sex campuses across the UAE. In 2001, the Abu Dhabi National Oil Company (ADNOC) signed a ten year agreement with the Colorado School of Mines (CSM) to provide a premier engineering educational institute known as the Petroleum Institute. It is hoped that the graduates of the Petroleum Institute, the first of whom graduated in 2006, will help to address the shortage of skilled technicians and engineers in the national oil industry.
However, only 11% of nationals go on to receive a university degree. More than 50% of these students are female. This is in part because young men have alternative opportunities, such as the police or armed forces, but it is also a sign of the increasing eagerness of young women to pursue a career.

There are approximately 30,000 unemployed nationals in the UAE which is apparently far lower than in other Gulf Cooperation Council (GCC) countries such as Bahrain and Oman. This is largely because the country’s considerable hydrocarbon wealth allows the public sector to absorb a far greater proportion of the native labour force. However, UAE nationals account for less than 2% of the private sector workforce, an imbalance the government is seeking to address through its Emiratisation programme.

**Economy**

Sitting atop 9% of the world’s proven oil reserves (98.2bn barrels) and almost 5% of the world’s natural gas (5.8 trillion cu metres), the UAE’s extraordinary hydrocarbon wealth gives it one of the highest GDP per capita in the world. Abu Dhabi owns the lion’s share of these resources - 95% of the oil and 92% of gas. The Abu Dhabi National Oil Company asserted in August 2006 that the UAE is presently ready to expand production of crude oil to 2.8m barrels per day (bpd) it has reached the target to push production to 4m bpd by 2010. Given these vast resources, oil and gas continue to
play a crucial role in the country’s economic profile. According to the IMF, the real GDP growth of the UAE stood at 12% in 2005.

As a result of the government’s economic diversification plans, served by the inexorable rise in oil prices, the country’s non-oil and gas GDP has outstripped that attributable to the energy sector. Remarkably, non-oil and gas GDP now constitutes 64% of the UAE’s total GDP. This trend is reflected in Abu Dhabi with substantial new investment in industry, real estate, tourism and retail. As Abu Dhabi is the largest oil producer of the Emirates, it has reaped the most benefits from this trend. It has taken on an active diversification and liberalisation programme to reduce the emirate’s reliance on the hydrocarbon sector. This is evident in the emphasis on industrial diversification with the completion of an industrial free zone known as the Industrial City of Abu Dhabi (ICAD) and the construction of another, ICAD II, in the pipeline. There has also been a drive to promote the tourism and real estate sectors with the Abu Dhabi Tourism Authority (ADTA) and the Tourism and Development Investment Company (TDIC) undertaking several large scale development projects. These projects will be served by an improved transport, infrastructure with a new port, an expanded airport and a proposed rail link between Abu Dhabi and Dubai all in the development stages.

Despite a recent correction to Abu Dhabi’s fledgling securities market (the ADSM), banks continue to enjoy healthy growth on core
earnings in the emirate. As plans for the development of the emirate continue a pace, the opportunities for banks to expand their corporate, commercial and retail divisions in Abu Dhabi are increasing rapidly. Many banks are seeking to support the government’s diversification strategy, a fact reflected in the rush among international financial institutions to step up their presence in the emirate.

A particular area of growth is the Islamic financial services sector, with Abu Dhabi Islamic Bank recording some of the most impressive growth figures in the first half of 2006, recording net profits of Dh291.7m ($79.4m), an increase of 106% on 2005.

**DUBAI – A COUNTRY PROFILE**

**Geography**

The second largest of the seven emirates which make up the United Arab Emirates, Dubai is located on the southern shore of the Arabian Gulf. It has an area of 3,900 square kilometers. Outside the city itself, the emirate is sparsely inhabited and characterized by desert vegetation.

Dubai has a sub-tropical, arid climate, sunny, blue skies can be expected most of the year. Rainfall is infrequent and irregular, falling mainly in winter. Temperatures range from a low of about 10.5°C to a high of 48°C.
Formation and History

In 1833, the Al Maktoum dynasty of the Bani Yas tribe left the settlement of Abu Dhabi and took over the town of Dubai. The rulers of Dubai fostered trade and commerce, unlike the towns of neighbours. The town of Dubai was an important port of call for foreign tradesmen (chiefly Indians) who settled in the town. Until 1930s, the town was known for its pearl exports. On 2nd December 1971 Dubai together with Abu Dhabi and five other emirates, formed the United Arab Emirates after Britain left the Persian Gulf in 1971. Dubai has been ruled by the Al Maktoum dynasty since 1833. The present ruler of Dubai, His Highness Sheikh Mohammed bin Rashid Al Maktoum, is also the vice president and prime minister of the UAE.

Population

According to the census conducted by the statistics centre of Dubai, the population of the emirate was 1,771,000 as of 2009, which included 1,370,000 males and 401,000 females. The population density is 408.18/km² more than eight times that of the entire country. Dubai is the second most expensive city in the region and 20th most expensive city in the world.

As of 2005, 17 percent of the population of the emirate was made up of UAE nationals. Approximately 85 percent of the expatriate population (and 71% of the emirates total population) was Asian, Chiefly Indian (51%), Pakistani (16%), Bangladeshi
(9%) and Filipino (3%) and a sizeable community of Somalis numbering around 30,000.

While Arabic is the official language, English is very widely spoken, especially in business. Given the large size of the expatriate population, several other languages are also used in everyday life, headed by Hindi, Urdu and Farsi.

Tourism and Retail

Tourism is an important part of the Dubai government’s strategy to maintain the flow of foreign cash into the emirate. Dubai’s lure for tourists is based mainly on shopping but also on its possession of other ancient and modern attractions. Dubai has been called the “shopping capital of the middle east”. Dubai alone has more than 70 shopping malls, including the world’s 7th largest shopping mall, Dubai mall. The city draws large numbers of shopping tourists from countries within the region and from as far as Eastern Europe, Africa and the Indian Subcontinent.

Dubai is known as “the City of Gold” and Gold Souk in Deira houses nearly 250 gold retail shops. Dubai Duty Free at the Dubai International Airport offers merchandise catering to the multinational passengers using the airport.

Economy

The Economy of Dubai is valued at US $ 46 billion (as of 2006). The International Herald Tribune has described it as “centrally-planned free-market capitalism.”
Although Dubai’s economy was built on the back of the oil industry, revenue from petroleum and natural gas currently account for less than 6% of the emirate’s gross domestic product. Dubai became important ports of call for Western manufacturers. Most of the new city’s banking and financial centres were headquartered in the port area. Dubai maintained its importance as a trade route through the 1970s and 1980s. The city of Dubai has a free trade in gold and until the 1990s was the hub of a “brisk smuggling trade” of gold ingots to India, where gold import was restricted.

Today, Dubai is an important tourist destination (see Tourism in Dubai) and port (Jebel Ali, constructed in the 1970s, has the largest man-made harbour in the world), but is also increasingly developing as a hub for service industries such as IT and finance, with the new Dubai International Financial Centre (DIFC). Transport links are bolstered by its rapidly-expanding Emirates Airline, founded by the government in 1985 and still state-owned; based at Dubai International Airport, it carried over 28 million passengers in fiscal year 2006 and 24 million the year before.

The government has set up industry-specific free zones throughout the city. Dubai Internet City, now combined with Dubai Media City as part of TECOM (Dubai Technology, Electronic Commerce and Media Free Zone Authority) is one such enclave whose members include IT firms such as EMC Corporation, Oracle Corporation, Microsoft, and IBM, and media organizations such as
MBC, CNN, Reuters, ARY and AP. Dubai Knowledge Village (KV), an education and training hub, is also set up to complement the Free Zone’s other two clusters, Dubai Internet City and Dubai Media City, by providing the facilities to train the clusters’ future knowledge workers. Dubai Outsourcing Zone is for companies who are involved in outsourcing activities can set up their offices with concessions provided by Dubai Government. Internet access is restricted in most areas of Dubai with a proxy server filtering out sites deemed to be against cultural and religious values of the UAE - this includes any Israeli domains, and VoIP services are also illegal and usually blocked. However, areas served by TECOM (an internet service provider) are currently not filtered.

Dubai has also launched Dubiotech. This is a new park to be targeted at Biotech companies working in pharma, medical fields, genetic research and even biodefense. The aim of this park is to foster the growth of this sector in Dubai and to utilize the region’s talent in addressing this rapidly growing sector.

One of Dubai’s recent groundbreaking plans is for a 30-story, 200 apartment skyscraper that will slowly rotate at its base, making a 360 degree revolution once a week. The world’s first rotating skyscraper is to be in the center of the Dubailand complex.

The International Media Production Zone is a project targeted at creating a hub for printers, publishers, media production companies, and related industry segments was launched in 2003.
A new project was announced on May 1, 2006 by the authorities. It is named Bawadi and will consist of a 27 billion US-dollar investment intended to increase Dubai’s number of hotel rooms by 29,000, doubling it from the current figure offers now. The largest complex will be called “Asia, Asia” and will be the largest hotel in the world with more than 6,500 rooms.

The first villa freehold properties that were occupied by non-UAE nationals were The Meadows, The Springs, and The Lakes (high-end neighbourhoods designed by Emaar Properties, collectively called Emirates Hills).

Expatriates of various nationalities have been pouring capital into Dubai in the past several years, greatly contributing to the city’s prosperity. Iranian expatriates alone are estimated to have invested up to $200 billion in Dubai.

Dubai interests have also purchased large amounts of real estate in foreign countries, in particular snapping up trophy properties in global centers like New York and London. Purchases in 2005 included New York’s 230 Park Avenue (formerly known as the New York Central Building or the Helmsley Building) and Essex House on Central Park South.

**Construction**

Since 2000, Dubai’s municipality has initiated a plethora of construction phases and plans across the entire city of Dubai, predominantly in the Mina Seyahi area, located further from
Jumeirah, towards Jebel Ali. Many areas of Dubai are dominated by
the large number of construction cranes. Construction in Dubai and
the UAE in general is a much faster process than in any Western
country. This is partly because Dubai construction companies
employ many low wage labourers from the Asian subcontinent for
up to 12 hours a day, six or seven days a week.

One of the main reasons for the boom in construction in Dubai
is its drive to diversify the economy. The Dubai government does
not want to depend on its oil reserves which are expected to be
exhausted in 20 years and, as such, has diversified its economy to
attract revenues in the form of expanding commercial and corporate
activity. Tourism is also being promoted at a staggering rate with
the construction of Dubailand and other projects that include the
making of mammoth shopping malls, theme parks, resorts,
stadiums and various other tourist attractions.

Another reason for the construction boom is the recent reversal
of a law in 2002 that allows non-nationals of the UAE to own property
(not land) in Dubai (albeit freehold and 99 year leases are actually
sold to people with ownership still remaining with private companies).
The larger of the property tycoons are Nakheel Properties and
Emaar Properties. In Dubai, demand is currently outstripping supply
by a significant margin and is showing no signs of slowing in the
near future. Rents have skyrocketed with the recent inflow of
professionals and companies from around the world who are
attracted by Dubai’s no-tax benefits, although rises have recently been capped to 7% per annum up to 2007 under a directive from Mohammed bin Rashid Al Maktoum. Legislation in this area is still developing as the property market for foreigners is relatively new.

**SHARJAH - COUNTRY PROFILE**

Blending commerce with culture, Sharjah provides a home for business and tourism while preserving its heritage. It was designated the cultural capital of the Arab World by UNESCO in 1998.

**Geography**

The UAE occupies 83,600 sq km of the Gulf, stretching from the northern Strait of Hormuz to Saudi Arabia and Oman on its eastern and southern borders. Sharjah is the third-largest emirate and its land mass of 2600 sq km accounts for approximately 3.3% of the total UAE. The main city lies between the emirates of Dubai and Ajman. Sharjah has land on both coasts, stretching 16 km along the UAE’s Gulf coastline, and holds three important enclaves - Kalba, Khorfakkan and Dibba al-Husn - on the east coast bordering Oman, alongside two islands - Sir Abu Nuair and Abu Musa.

Sharjah, boasting beaches, deserts and plantations, contains part of the UAE’s main mountain range, the Hajar, rising 762 metres above sea level. Inland, the majority of the emirate is desert. The climate is dry, with minimal rainfall: November to April sees temperatures ranging from 18°C to 30°C; from May to September, heat and humidity are strong, with daytime
temperatures in excess of 45°C. There are occasional tropical storms from January to March.

**Government and Politics**

Sharjah is part of the UAE, a federation of seven sheikhdoms joined under the guidance of Abu Dhabi’s leader in 1971. Sharjah is ruled by His Highness Dr Sheikh Sultan bin Mohammed Al Qasimi. All the emirates are headed by hereditary rulers who, together, form the Supreme Council of the UAE. Although the president is officially re-elected by the Supreme Council every five years, the position usually is retained for life. It is accepted that the ruler of Abu Dhabi always heads the federation.

**Population**

The December 2005 census put the population of the UAE at 4.1m, a fluid figure owing to the large number of expatriate workers and the high birthrate. Other estimates put the population at more than 5m. Nationals account for only 20% of this, although Sharjah contains a higher proportion. The ratio of men to women is 2:1, largely due to restrictions placed on male expatriate labourers relocating their families. The population is young: 38.1% under the age of 14. The annual growth rate, averaging 5% over the past 18 years, is one of the highest in the Arab world. Sharjah is the third most populous emirate, with 750,000 residents.

The majority of the population is Sunni Muslim. Women often wear a full abaya, or caftan, and niqab, or face covering, in public.
Sharjah forbids the sale or consumption of alcohol. However, it does adhere to the general policy of religious tolerance, enshrined in the federal constitution of the UAE.

The official language of the UAE is Arabic, and while English is used in business, some Arabic is helpful for asking directions and shopping.

The Gulf dialect is distinct and varies between tribes. Hindi and Urdu are widely spoken, owing to large Indian and Pakistani expatriate communities. Newspapers, television and radio exist in Arabic and English.

**Economy**

Transformed from the Trucial States under the British empire into one of the world’s nascent economic markets, the United Arab Emirates is home to some of the Middle East’s largest oil reserves.

The only emirate with ports on the Gulf and the Indian Ocean, Sharjah is located at the axis of global trade routes. It accounts for 47% of industrial GDP in the UAE. The government has shown its commitment to Sharjah’s industrial boom by setting up free trade and specialized industrial zones, serviced by a transport system that provides port-to-port access via the rapidly growing Sharjah International Airport. The creation of Air Arabia, the region’s first budget airline, confirms the emirate’s position as a centre for regional business and tourism.
The UAE has 98bn barrels of proven oil reserves, the fifth largest in the world. Sharjah has the third-largest oil reserves in the UAE - an estimated 1.5bn barrels. The majority of Sharjah’s oil is in an offshore field near Abu Musa island, subject to a territorial dispute between Sharjah and Iran.

Sharjah owns 5% of the UAE’s gas reserves, mainly condensate, with the majority of its supplies utilized domestically. Sharjah’s most important gas deposits are at the offshore Mubarek field and the onshore Sajaa, Moveyeid and Kahaif fields. Gas reserves are estimated at 10 trillion cubic metres and Sharjah produces around 22.65m cu metres per day of gas. Sharjah’s offshore Mubarek field produces around 30,000 barrels per day (bpd) of condensate. The onshore Sajaa and Moveyeid fields produce 35,000 bpd of condensate, as well as natural gas.

In contrast, Sharjah has limited fresh water entailing costly desalination operations.

**AJMAN - COUNTRY PROFILE**

**Geography**

The emirate of Ajman is located on the western coast of the United Arab Emirates (UAE), a federation of seven hereditary sheikhdoms occupying 83,600 sq km of the Gulf. The UAE stretches from the northern Strait of Hormuz down to Saudi Arabia and Oman on its southern and eastern borders, respectively. Ajman itself is the smallest of the seven emirates, with a total landmass of 260 sq
km, accounting for approximately 0.3% of the total UAE. It is composed of three sections, the principal portion being landward on the Gulf coast, sharing almost its entire border with Sharjah. This section is also the capital city of Ajman and the emirate’s only urban settlement.

Ajman has two interior exclaves - Manama and Masfout - on the Oman promontory, the tip of the Arabian Peninsula. Manama is located 60 km east-southeast of Ajman and is known for agriculture along with a camp of the national defence base. Masfut is 90 km southeast of the capital in the Hatta Wadi, at the promontory’s base, is also known for agriculture, as well as its deposits of high-quality marble. Including its regional waters, the total area of Ajman is 600 sq km. It profits from its natural harbour and its land along the coast, with white sandy beaches stretching some 16 km along the UAE’s Gulf coastline. The landscape is typical of the region: a mixture of old and new, with relics of the past blending with modern architecture.

Ajman’s climate is very dry, with minimal rainfall. The weather varies depending on distance from the Gulf coast. The climate is pleasant from November to April, with warm sunny days, cool evenings and low humidity. Daytime temperatures range from 18°C-30°C. From May to September, the summer heat and often-high humidity forces most people to head to cooler climates, with
daytime temperatures in excess of 45°C. There are occasional tropical storms from January to March.

The UAE is thought to have 98bn barrels of oil reserves, the fifth largest in the world, though the majority is located in Abu Dhabi (92bn barrels). Ajman has granted petroleum concessions to foreign companies; however, no supplies have yet been discovered. The Al Zora gas field, off the coast of Ajman, has potential to be developed in the future, but operations have not yet begun.

Ajman has limited fresh water supplies and the population’s needs are met by vast and costly desalination operations, which take place in the emirate.

**Population**

According to 2005 census figures, the population of the UAE is 4.7m. This figure is fairly fluid, owing to the constant influx of expatriate labour and the high birth rate among Emirates. The census did not account for those on tourist visas or those who are in the country illegally, so other estimates put the population of the UAE at more than 5m. The UAE has witnessed a population growth rate of 5% annually over the last 18 years - one of the highest in the Arab world. Authorities expect the population to continue to swell, due to economic growth and steady immigration. Nationals account for approximately 20% of the total population of the UAE.

Ajman’s population is estimated to be approximately 260,000. The population of Ajman at the time of the last census (1995) was
118,812. The rapid increase is mostly due to an influx of people from the neighbouring emirates of Dubai and Sharjah.

The official language of the UAE is Arabic and while English has long been used as the language of the country’s business and professional world, some Arabic is helpful for tasks such as asking directions and shopping in local areas. The Gulf dialect is distinct from other areas and varies between tribes, yet an influx of expatriate Arabs is reshaping the dialect by incorporating a variety of regional influences. Newspapers, television and radio, as well as other forms of media, are widely available in both Arabic and English.

Economy

The economy of Ajman was historically based around its strong traditions of fishing and trade—indeed, its dhow-building yard is the largest in the UAE, and continues to operate despite the rapidly diversifying economy. In the early 1900s Ajman’s only economic activities consisted of about 40 pearl diving boats and a date palm plantation, while from 1961 to the early 1970s, one of its main sources of revenue was philately: the sale of postage stamps, designed to be of interest to Western collectors.

More recently, the UAE has achieved global prominence as guardian of some of the Middle East’s largest oil reserves. While oil remains central to the economy, recent years have seen the economy successfully diversified. Large-scale development and the
injection of foreign capital are propelling the UAE toward becoming a major centre of economic activity in the Gulf and the wider Middle East. As part of this, Ajman is currently witnessing a large influx of construction activities in its industrial areas, port and Al Zora.

Ajman’s ambition of playing a key and significant role in the region’s industrial, commercial and tourism sectors will continue to drastically alter the emirate’s landscape. Its profitable real estate market and its appeal to local and foreign investors are expected to continue to grow. The Ajman Free Zone, established in 1988, has been a great impetus for industrial activity in the emirate, due to its significant cost advantages and corporate benefits. Its location at the entrance of the Gulf places it at the crossroads of markets in the east and west. Ajman’s 100% rise in the amount of foreign investments during 2006 is a profound testament to the renaissance that the emirate is witnessing. Ajman port, serving over 1000 vessels per year, is in the midst of a massive expansion and overhaul. The emirate’s proximity to Sharjah and Dubai provides easy accessibility to the two international airports.

Today Ajman receives support from the UAE federal government. Its leaders, Sheikh Humaid bin Rashid Al Nuaimi and Sheikh Ammar bin Humaid Al Nuaimi have played an integral role in the current economic situation and have set into motion plans aiming to make Ajman a major economic player.
FUJAIRAH - COUNTRY PROFILE

Geography

Emirate belonging to the federation of United Arab Emirates (UAE). Its population is around 130,000 inhabitants. Fujairah’s surface area represents about 1.5% of all of the UAE. Fujairah is the only emirate without a coast along the Persian Gulf, rather it takes up most the coast along the Gulf of Oman, broken only by 3 regions under the administration of Sharjah. A great part of the territory of Fujairah is mountainous, the strip of lowland along the coast is narrow most places. Consequently Fujairah boasts a higher than average yearly rainfall of the UAE, allowing farmers in the region to produce one crop every year. The weather is seasonal, although it is warm for most of the year. The months of October to March are generally regarded as the coolest, with day time temperatures averaging around 25°C to 35°C, with temperatures climbing to over 40°C in the summer. Fujairah has its own international airport. Artificial coral reefs have been constructed along the coast. At Khor Kalba exists the oldest angrove forest on the Arabian peninsula. Shaykh Hamad bin Muhammad ash-Sharqi has been the ruler of Fujairah since 1974.

Economy

Much of the economy of Fujairah is based upon agriculture and fishing. Fujairah does less to attract investments than other emirates, and non-nationals cannot own land. Still, Fujairah has
established a free trade zone, formed around the leading sea port on the Gulf of Oman. This port has been promoted as a new alternative, in periods when the Persian Gulf has been struggling with unrest and war.

Fujairah also receives subsidies from the federal government. Tourism facilities are under development, located to the northernmost section of the coast, near the border to Omani Musandam.

Petroleum concessions have been granted on Fujairah territory, but as of yet, oil production has not yet begun.

Local industries of Fujairah produce marble, tiles, insulation, concrete blocks, cement, tyres and shoes.

**History**

- 1952: Gains independence from Sharjah.
- 1971 December 2: Fujairah joins the United Arab Emirates, along with all present emirates except Ras-Al-Khaimah that would join the following year.
- 1975: Fujairah abandons its own red flag in favour of the federation's shared flag.
- 1995: An oil refinery is put into production, with a 30,000 b/d capacity, allowing exports directly to the Gulf of Oman.

**Developments**

The ruler is planning to make changes that will affect Fujairah. Among tourism projects in the pipeline is an $ 817m
resort, Al Fujairah Paradise, near Dibba Al-Fujairah, on the northern Omani border, next to Le Meridien Al Aqah Beach Resort. There will be around 1000 five star villas as well as hotels, and it is expected that all the construction work will be finished within two years. The Sheikh is trying to improve opportunities for the local workforce, by trying to entice businesses to locate in Fujairah and diverting federal funds to local companies in the form of development projects. The Habshan-Fujairah oil pipeline has been announced which will create an oil export terminal in the Emirate.

**Healthcare**

Healthcare is delivered in a mixed public and private system. Locals are treated free at the federal government hospitals, while foreigners have to pay for medical care. The national government funds the federal hospitals and subsidize healthcare with petrodollar revenues.

**Education**

There are many government schools in Fujairah, which are mainly for Emirati people, beside some numbers of Arab residents. Aside from government schools, there are also private schools, and due to the majority of the population of the Emirate hailing from the Indian subcontinent, most of the private schools follow the Indian Central Board of Secondary Education (CBSE) syllabus, accredited by the Central Education Board of India and Kerala syllabus under Kerala Board.
UMM-AL-QUWAIN – COUNTRY PROFILE

Geography

The emirate of Umm-Al-Quwain is located on the western coast of the UAE, with Sharjah to the west and Ras-Al-Khaimah to the east. Umm-Al-Quwain has a pleasant weather and November to March is ideal time to visit. The maximum day time temperature is 26°C. March to October is the hottest months of the year reaching 40°C. Humidity is high and rainfall is sparse.

The total area of the emirate is equivalent to one percent of the country’s total area. It is the least populated in the UAE with a population of around 65,000. It is ruled by His Highness Shaikh Rashid bin Ahmad-Al-Mu’alla, who came to power in 1981.

The city of Umm Al Quwain, capital of the Emirate, houses the Ruler’s office, administrative and commercial centres, the main port and a Mariculture Research Centre.

The city also has the preserved remains of an old fort, its main gate flanked by defensive cannons.

Located 50 kilometres south of Umm-Al-Quwain is Falaj Al Mulla, the agricultural area of the Emirate. Sinayah Island, lying one kilometer away from the town of Umm-Al-Quwain, is a natural reserve for a large number of species of birds, deers and Al-Qaram trees.
The traditional occupations of this emirate have been fishing and date cultivation. Umm-Al-Quwain’s attraction lies in its long clean beaches, an enclosed lagoon and public horse riding stables.

The infrastructure of Umm-Al-Quwain is developing at a rapid pace with the emergence of new roads, parks, buildings and other world class amenities, giving boost to economy and tourism. Umm-Al-Quwain touches the main trade routes linking Asia and India.

The Ahmed Bin Rashid Port and Free Zone located in Umm-Al-Quwain offers great incentives to investors.

Umm-Al-Quwain also houses a multi-million dirham aqua park, Dreamland, which has boosted its prominence in the UAE.

**History and Formation**

In 1775 Sheikh Majid-Al-Mu’alla, founder of the ruling Mu’alla lineage of the Al-Ali clan, established an independent sheikhdom in Umm Al Quwain. The emirate became a British protectorate on January 8, 1820 when the then ruler Sheikh Abdullah-I signed the General Maritime Treaty with the United Kingdom. Owing to its strategic position on the way to India, Umm-Al-Quwain, like Ajman, Dubai and Ras-Al-Khaimah and Sharjah was made a salute state. And on December 2, 1971 Sheikh Ahmad-II joined the United Arab Emirates. The current ruler of Umm-Al-Quwain is Sheikh Rashid bin Ahmad-Al-Mu’alla; he has reigned since 1981, when he succeeded his father Sheikh Ahmad-II. In the 21st century, Umm-Al-Quwain
has made major economic and technological inroads and ranks as one of fastest developing emirates in the country.

**The Importance of Umm-Al-Quwain in the long term:**
The prospects for the UAE depend upon how hydrocarbons will be used to diversify the economy in case the country has to face a post-oil era whether due to the depleting of resources or because of changing technology.

Until recently oil accounted for 90% of the total GDP of the UAE but since mid-1987 the proportion has declined and by mid-1988 the figure was as low as 36.7% and only 33% in 1989. UAE oil reserves are estimated at 200 billion barrels. Other sectors that contributed to the economic development included industry, trade, finance, insurance and banking. Solar energy, agriculture, fisheries and tourism seem to assume more significance in the development of the UAE and Umm-Al-Quwain is one of the active participants. The UAE is currently attracting over 100,000 tourists a year.

Crops that have been cultivated successfully include cereals, cucumbers, gherkins, aubergines, chillies, green peppers, watermelons, melons, tobacco but above all dates, tomatoes and lemons. Date palm gardens line the eastern bank of Wadi-Al-Batha. The greenhouse effect on the UAE has led to heavier rains since 1988.

Livestock products include beef and veal, mutton and lamb, goat’s meat, poultry meat (over a million chickens a year meeting
30% of the national needs), cow’s milk, sheep’s milk, goat’s milk and hen eggs (supplying fresh eggs all over UAE).

Camels are treasured and camel racing in Al-Labsa is a major sporting activity. One of the UAE’s most attractive race tracks is situated beside the road to Falaj-Al-Mualla near the banks of the valley.

**Ahmed Bin Rashid Free Zone**

*General:* Pursuant to Decree No: 2/87 issued by His Highness Shaikh Rashid Bin Ahmed Al Moalla, Ruler of Umm-Al-Quwain, a Free Trade Zone was established within the confines of the Port and adjacent land. The Authority concluded construction contracts in March 1988 and construction of the First Unit together with the expansion of services commenced on 1st April 1988.

*Location:* The Ahmed Bin Rashid Port and Free Zone is located on the West Coast of the United Arab Emirates, about 30 miles north east of Dubai in the Emirate of Umm-Al-Quwain.

*Development and Scope:* Phase-I of the development makes provision for 34 Light Industrial Units, together with a Mess Hall and modest accommodation for the labour force. The substantial investment cost involved in the provision of services is being borne by the Government of Umm-Al-Quwain.

*Facilities:* The Free Zone complex consists of 4 wharves totaling 845m of quay wall within secured area of 400,000 m², capable of handling ocean going vessels, and 118,000 m² of land.
reserved for Light Industrial Development. The entrance channel has a minimum depth of 10m and a width of 100m which connects with a swinging basin of 500m the whole being marked by a standard buoys and beacons in accordance with International Regulations. Standard services of water, electricity, and communications, labour accommodation (both male and female) together with bonded storage are all available. In addition, the Free Zone Authority provides a comprehensive, administrative and logistical support to the tenant.

The Port facilities operate on the Free Port concept, which has now been extended to include manufacture and assembly.

**Investment Incentives Operation within the Free Zone means:**

- 100% Foreign Ownership
- No Sponsorship Restrictions
- No Work Permit Restrictions
- 100% Repatriation of Capital
- No Customs Charges
- No Currency Restrictions
- No Corporate Taxes for a minimum of 15 years No Import Duty
- No Export Taxes

A manufacturer licensed to operate in the Free Zone is not required to have a local partner. In addition, the Government through the Port Authority provides full back-up services for the storage of materials within the Free Zone.
Straddling the northernmost tip of the United Arab Emirates (UAE), Ras-Al-Khaimah has a different aesthetic from most other Gulf cities. With light traffic; an unpolluted skyline; miles of untouched, white sandy beaches; and towering mountains, the emirate has always been an ideal escape, mixing striking scenery with its own, more laid-back rhythm. Yet, with a renewed drive for development over the past few years, RAK has put the focus squarely on becoming a serious investment destination. In a few years the emirate could become one of the top tourist draws in the Gulf.

Recent History

Strategically positioned on the old trading routes running from Europe to the Far East, RAK was a stopover point for merchants from as far away as China. In ancient times, it was called Julfar, a major city in the Qawasim dynasty, which at various times held land on the Iranian islands of Kush and Hulaya, as well as in Pakistan and the area that today is the UAE.

At their peak, the Qawasim dominated trade in the lower Gulf, gaining a reputation in commerce and business. After the 14th century, the Qawasim tribes began leaving Kush and Hulaya and settled on the Arabian Peninsula.

The UAE is a federation of seven sheikhdoms: Abu Dhabi, Ajman, Dubai, Sharjah, Fujairah, Umm-Al-Quwain and Ras-Al-
Khaimah. These sheikhdoms, along with Qatar and Bahrain, signed the General Maritime Treaty with the UK in 1853. In effect, this ushered in a period of stability along the Gulf coast, and the states which adhered to this agreement became known as the Trucial States. Following British withdrawal from the region between 1968 and 1971, and wary of larger neighbours like Iran and Iraq, the sheikdoms drew together to form the modern-day federation of the UAE in 1971. However, RAK did not join the federation until 1972.

**Geography**

The UAE occupies some 83,600 sq km on the southern and eastern shores of the Gulf. The country borders Saudi Arabia to the west and the south and Oman to the east. Most of the emirate lies at the far north of the UAE, along the Gulf coast. RAK is the fourth-largest emirate in the federation, occupying 1700 sq km, or just over 2% of the total area of the UAE.

Its landscape is quite varied compared to the rest of the country. It boasts some 40 km of coastline along the Gulf, in addition to fertile plains and the great Hajar Mountains, which reach heights of up to 1900 metres. Temperatures in the summertime often reach the upper 40°C with high humidity. In winter, the weather is rather pleasant and remains relatively dry.

RAK’s total gas reserves amount to about 33.96m cu metres, and its oil reserves are estimated at 400m barrels, or 0.4% of the UAE’s total reserves. RAK also boasts the largest rock quarry in the
Gulf and has been blessed with high-quality limestone and clay deposits, which underpin the emirate’s successful cement and ceramics industries. In addition to this, the fertile plains in the south-east around Digdaga produce fruits and vegetables as well as milk and poultry for the local UAE market.

Population

Exact population figures are difficult to come by, but a government census in 2005 calculated that the total population of the UAE was 4.3m. Many suspect that the actual figure is closer to 5m due to the large numbers of expatriate workers residing in the UAE, some of which may have been unaccounted for in the census. RAK is estimated to have a total population of 250,000. While UAE citizens officially make up less than 20% of the population in the UAE, this figure is higher in RAK. Emirates are thought to make up at least 50% of the emirate’s population.

The official language of the UAE is Arabic, although English is widely used in business circles. A significant portion of the expatriate population also speaks Hindi, Urdu, Malayalam, Tamil and other languages of the subcontinent.

Government and Politics

The ruler of the emirate, H.H. Sheikh Saqr bin Mohammed Al Qasimi has been in power since 1948. The emirs of the other seven emirates of the federation form the UAE’s Supreme Council, headed by a president who is elected by the council every five years. The
current president of the UAE is Sheikh Khalifa bin Zayed Al Nahyan of Abu Dhabi. Sheikh Khalifa was elected president in 2004 following the death of his father, Sheikh Zayed bin Sultan Al Nahyan, who served as president of the federation since its inception. There is an implicit understanding in the council that the president will always be from Abu Dhabi, due to its substantial political and economic clout.

The Supreme Council ratifies all the laws in the country, while the Council of Ministers, a 20-member cabinet headed by the prime minister, is the executive branch of the government. The prime minister is appointed by the president, and the post is currently held by Sheikh Mohammed bin Rashid Al Maktoum, who is also the ruler of Dubai. The Federal National Council, a 40-member consultative body, represents the interests of each emirate in the federal government.

In 2005, the government announced a new policy of political liberalization. At the end of 2006, elections were held for half of the seats of Federal National Council, while the other half will continue to be appointed by the government.

**Economy**

The UAE’s economy, fuelled by surging oil prices, has seen unprecedented growth in recent years. Although RAK does not have abundant energy resources, it does produce about 500 barrels per day of condensate. While there are undeveloped tracts of land that
have shown traces of oil and gas, the emirate has had to look beyond its borders to fulfill its demand for gas.

As the emirate will never be a major oil producer, RAK has instead had to concentrate on developing its industrial sector. It opened the UAE’s first cement company in the early 1970s and is now the UAE’s largest producer of cement. In the 1980s, the emirate formed RAK Ceramics, which has become the world’s largest ceramics producer, and Julphar, the Gulf region’s first pharmaceuticals company.

Also the first medical supplies company in the Gulf, Julphar has developed into a global brand and now sells its products, which meet the rigorous US Food and Drug Administration and European Commission guidelines, to almost 50 countries.

More traditional industries, such as fishing and agriculture, continue to play an important role in RAK’s economy. In 1955, the first agricultural research centre in the UAE was established there, and since then, innovative methods of arid zone cultivation have made the emirate one of the leading agricultural producers in the UAE.

There have also been recent efforts to diversify the emirate’s economy. Since Sheikh Saud bin Saqr Al Qasimi became crown prince in 2003, the emirate has embarked on an aggressive development programme, with a particular focus on tourism and real estate. Capitalizing on its virgin coastline and mountains, RAK
has launched several mixed-use projects that will feature five-star hotels, residential units and resorts. Some of the more ambitious plans include a mountain resort with an artificial ski slope and a spaceport to host the Middle East’s first suborbital flights.

To bring in the people, the emirate will launch the UAE’s fourth national carrier, RAK Airways, in 2007. Thus far, $230m has been raised, in addition to the $410m in authorised capital, which includes a five-year expansion plan for the emirate’s RAK International Airport.

**INDIA - AN ECONOMIC PROFILE**

**Introduction**

A unique feature of the transition of the Indian economy is that it has become the second fastest growing economy of the world in the year 2003-04. In the second quarter of 2005-2006 the GDP growth has averaged 8%. India has recorded one of the highest growth rates in the 1990s. The target of the 10th Five Year Plan (2002-07) was 8% growth rate. According to the Central Statistical Organization (CSO), real GDP increased by 8.1% during the first quarter of 2005-2006 against 7.6% in the first quarter of the previous year. The Quick Estimates of Index of Industrial Production (IIP) with base 1993-94 for the month of October 2005 have been released by the Central Statistical Organization of the Ministry of Statistics and Programme Implementation. The General Index
stands at 221.3, which was 8.5% higher as compared to the level in the month of October 2004.

The fundamentals of the Indian economy have become strong and stable. The macro-economic indicators are at present the best in the history of independent India with high growth, healthy foreign exchange reserves, and foreign investment and robust increase in exports and low inflation and interest rates. The unique feature of Indian economy has been high growth with stability. The Indian economy has proved its strength and resilience when there have been crisis in other parts of the world including in Asia in recent years.

**Foreign Exchange Reserves**

The foreign exchange reserves have reached a level of US $143.098 billion as on December 9, 2005. The comfortable situation of forex reserves has facilitated further relaxation of foreign exchange restrictions and a gradual move towards greater capital account convertibility. Foreign Exchange Reserves (US $ 143.098 billion) now far exceed Foreign Debt (US $ 122.1 billion) by US $ 16.2 billion providing a cover of 113.3 percent to the external debt stock at the end of June 2005. Total foreign exchange reserves including gold and Special Drawing Rights (SDRs) went up from US $ 921 million to US $ 143 billion during the week ended December 2, 2005. The external debt to GDP ratio has improved significantly from 38.7% in 1992 to 17.4% in end of March 2005.
Given the large foreign exchange reserves, the Government has made premature repayment of US $ 3 billion of ‘high-cost’ loans to the World Bank and the Asian Development Bank and is considering further premature repayment of other loans. The Government has decided to (i) discontinue receiving aid from other countries except the following nine: Japan, UK, Germany, USA, EU, France, Italy, Canada and the Russian Federation and (ii) to make pre-payment of all bilateral debt owed to all the countries except the ones mentioned above. Since July 2003, India has become a net creditor to IMF, after having been a borrower in the past. The Government has written off debts of US $ 30 million due from seven heavily indebted countries as part of the “India Development Initiative” announced in February 2003.

After reaching an all-time low of Rs. 49.06 per US dollar in May, 2002, the rupee has strengthened against the dollar reaching a rate of US $ 1 = Rs. 45.50 (December 16, 2005). The inflation rate has been contained at 4.55% as of December 16, 2005. The inflation rate in 2004-05 had been slightly higher at 6% but slowed down at the beginning of the year 2005-06 at 5.5%. According to 2010 estimates inflation rate is 12%.

**Consumer Market**

India offers a large and growing market of 1 billion people of which 300 million are middle class consumers. India offers a vibrant market of youth and vigor with 54% of population below the age of
25 years. These young people work harder, earn more, spend more and demand more from the market, making India a dynamic and aspirational society. Domestic demand doubled over the ten-year period from 1998 to 2007. The number of households with “high income” is expected to increase by 60% in the next four years to 44 million households.

The Indian FMCG sector is the fourth largest sector in the economy with a total market size in excess of US $ 13.1 billion. The FMCG market is set to treble from US $ 11.6 billion in 2003 to US $ 33.4 billion in 2015. Penetration level as well as per capita consumption in most product categories like jams, toothpaste, skin care, hair wash etc in India is low indicating the untapped market potential. Burgeoning Indian population, particularly the middle class and the rural segments, presents an opportunity to makers of branded products to convert consumers to branded products.

The number of telecom subscribers (fixed and mobile) in the country touched 120 million in November 2005 with more than 3.5 million additions in mobiles alone. The teledensity at the end of November was 11 percent as compared to 10.66 percent in October, telecom regulator TRAI said in a statement. Computer sales in India reached 1.01 million units during the April-June first quarter, rising 8.6 percent year on year.

The month of October 2005 witnessed the domestic sales of automobile industry growing by more than 23% over the same
month last year. The Passenger Vehicles Segment in October 2005 grew by over 8%. The Overall Commercial Vehicle segment grew by 19%. The Three Wheeler segment grew by almost about 17% during this month. Two Wheeler Segment as a whole during the month of October 2005 grew by about 26% with motorcycle leading the growth by about 29%. Scooters segment and Mopeds segment each also witnessed a growth of over 13% in October 2005 over October 2004.

**Capital Market**

Vibrant capital market comprising 23 stock exchanges with over 9000 listed companies. Bombay Stock Exchange is the second largest after NYSE. Stock market trading and settlement system are world class. Research shows that global fund managers rate India above China and are shovelling funds into the Indian stock markets.

The Indian Capital market witnessed a sharp bullish trend with the BSE Sensex has crossed 9,919 mark for the first time in its history on 30 January 2006. India has the third largest investor base in the world.

**Economic Reforms and Liberalization**

After initiating far reaching economic reforms of deregulation and liberalization since 1991, India and the Indians have undergone a paradigm shift. There have been fundamental and irreversible changes in the economy, government policies, outlook of business and industry and in the mindset of Indians in general. From a
shortage economy of food and foreign exchange India has now become a surplus one; from an agro based economy it has emerged as a service oriented one; it is now a front runner in the emerging knowledge based new economy; Indian companies have become globally competitive and ‘Brand India’ is getting global recognition etc.

The solid macro-economic fundamentals and the optimistic future prospects have given more confidence to the Government to go in for further reforms and liberalization. This confidence is reflected in the further reduction of peak custom duties to bring them in line with the rates in South East Asian countries, raising of ceiling on foreign investments in core sectors, passage of a new law on Special Economic Zones (SEZs) with flexible labour laws etc, all of which are aimed at giving a big push to exports and foreign direct investment inflows into the country.

**Growth Trends**

In recent years India has experienced dramatic and sustained economic growth averaging a little over 8%. In 2007 the economy grew by 9% which was slightly lower than 2006 and 2007 with rates of 9.7% and 9.1% respectively. Due to a global slowdown the growth rate for 2008 fell slightly to 8% with industrial and service sectors being the real drivers of the economy. The industrial and service sectors grew at about 11% in 2008 compared to 3% for agriculture.
Contrary to global trends it appears that Indian entrepreneurs are investing in expanding their manufacturing and service sector capabilities. Sectors that have witnessed growth include: consumer goods, high level technology, industrial products, healthcare, financial services and basic industries. In addition, to this both the private and government sectors have committed to large scale infrastructure projects that are aimed at developing much of the country. Moreover, India is increasingly integrated to the global economy especially as a major centre for outsourcing activities primarily for high cost European firms. Various economic commentators and reports expect India to be the third largest economy in the world by 2050 after China and the USA.

With such opportunities in a dynamic market it is not a surprise that India is the largest foreign market for Dubai based exporters. Factors that have led to India becoming a target export market is the opening up of its economy which until 1991 was largely closed to foreign imports. Second, India’s rapidly growing middle class segment which is a major attraction for exporters because not only is the size increasing but so is its purchasing power. Third, the rate of urbanisation has increased leading to changes in lifestyles and consumer habits along with the ease of finance which has fuelled the current consumer boom. As a result of this the demand for convenience foods, quality clothing, cars, electrical appliances, toys, communication and leisure goods has
increased rather substantially and is expected to be grow even further. Surprisingly, the change in consumer habits has also impacted the large rural sector who now also demand electrical appliances, communication equipments (largely mobile phones), quality clothing and leisure goods.

One negative impact of a fast growing economy is that it has led to an increase in the inflation rate from 3.8% in 2003 to its 6.4% in 2007. With a booming economy and relatively high world commodity prices in 2008 inflation in India was exceeded 5%. Accordingly wholesale prices have also increased from 4.4% in 2006 to 5.4% in 2007. In the first half of 2008 the wholesale price index fell slightly to 4.75% and is expected to fall further to reflect the drop in international commodity prices.

Table 3.1
Economic Indicators of the Indian Economy (2003-2008)

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<tbody>
<tr>
<td>GDP (USS bn)</td>
<td>1.232</td>
<td>1.098</td>
<td>0.877</td>
<td>0.783</td>
<td>0.669</td>
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<td>GDP Per Capita (USS)</td>
<td>1.082</td>
<td>0.978</td>
<td>0.792</td>
<td>0.717</td>
<td>0.623</td>
<td>0.542</td>
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<tr>
<td>Real Annual GDP Growth (%)</td>
<td>7.9</td>
<td>9.2</td>
<td>9.7</td>
<td>9.1</td>
<td>7.9</td>
<td>6.9</td>
</tr>
<tr>
<td>Current Account Balance US $m</td>
<td>-37,865</td>
<td>-19,345</td>
<td>-9,800</td>
<td>-10,285</td>
<td>781</td>
<td>8,773</td>
</tr>
<tr>
<td>Current Account Balance as % of GDP</td>
<td>-3.1</td>
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<td>-1.1</td>
<td>-1.3</td>
<td>0.1</td>
<td>1.5</td>
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<td>Goods and Services Exports as % of GDP</td>
<td>20.6</td>
<td>21.2</td>
<td>22.7</td>
<td>20.2</td>
<td>17.4</td>
<td>14.8</td>
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<tr>
<td>Inflation (%)</td>
<td>5.2</td>
<td>6.4</td>
<td>6.2</td>
<td>4.2</td>
<td>3.8</td>
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Source: EIU/IMF
Key Opportunities

With the booming urban property market one would assume that the market opportunities do not lie in rural areas. However, this is not the case especially as the majority of the population live in rural areas and with increasing literacy and employment prospects their disposal income is also rising. Moreover, the influence of mass media has impacted on their buying behaviour leading to a demand for products which would previously not have been target at this group.

India has 500 million people who are under the age of 25 and this offers a number of opportunities to exporters. Most exporters cannot target the entire population due to the wide disparities in income and wealth. Therefore, exporters have tended to target the 200 million or so middle class individuals. However, the middle class tend to dispersed throughout the country and hence distribution is a major problem due to poor infrastructure and communication links. Therefore, it is no surprise that the most successful exporters have been those that have developed a wide local distribution coverage for their products either through their own network or agents. In the near future hundreds of western style shopping malls have been planned however until they are built the consumer goods market relies on the 12 million retail and wholesale outlets.
Food Processing

The Indian process sector is growing at an incredible 12% per year largely due to changes in lifestyle and consumer habits brought about due to rapid urbanization. Even though India is a major food producer its share of world trade is less than 1.5%. The current market size of the food processing industry is about AED 12 billion an increase of 22% compared to the previous year. Most of this demand is satisfied through domestic production however with rapid increase in consumer appetite we estimate that imports will increase considerably over the next few years.

Medical Equipment and Healthcare

With a population of over one billion and growth rate of 1.6% per year it is only natural that the demand for healthcare will increase over time. One interesting change in recent years has been that a growing and affluent middle class segment is looking for international providers of healthcare. At the same time the demand for private medical insurance has increased by more than 35%. Two patterns in healthcare have emerged of late first there are now more private sector owned and managed hospitals leading to a demand for medical equipment. Second, more people are traveling abroad for medical treatment. The market for medical equipment is currently worth AED 8.4 billion with growth rate of about 10% per year. Imports account for 62% of the market with European and North American firms being the largest suppliers.
Pollution Control Equipment

India has a high proportion of small scale producers many of whom have no pollution control equipment. As a result of this the government has classified 17 sectors as major polluters and hence this is the fast growing industry in the country. Currently, the market is worth AED 17 billion with imports accounting for 40% of the industry.

Computers and Associated Equipment

India is one of the largest business process outsourcing centres in the world and hence there is a strong demand for computers and associated equipment. The market is currently worth AED 27 billion of which a fifth is made up of imports. We believe that opportunities exist for exporters to supply high end servers which are required to meet the needs of the software development sector along with the business process outsourcing companies.

Education Services

India has over 300 universities and 1,600 colleges in addition to various training centers all of which offer a wide range of courses. Nevertheless, it appears that the current supply of educational institutions cannot meet the demand for academic courses. Currently, there are almost 10 million students enrolled in Indian institutions and with a growing middle class population this number is expected to increase. Moreover, the quota system makes it difficult for many students to obtain a place at university despite
their academic standing leaving them with little choice other than to go to foreign universities. The traditional markets for Indian students have been the USA, UK, Australia and Canada however a large proportion of these students would be willing to study at international universities in Dubai.

**Market Entry**

Whether an exporter wishes to establish their own office or use the services of an agent/distributor it is important to take a regional approach. The vast size of the country with its problematic infrastructure makes it very difficult if not possible to target the entire country. Due to the traditional and historical trading relationship with India Dubai based exporters will find strong interest from potential agents/distributors. However, we believe that exporters need to verify and conduct appropriate due diligence on their potential partners. Important factors when selecting an agent include: financial stability and strength, marketing know how, regional coverage, industry expertise and market reputation. Exporters should not discount small distributors as they can be very flexible in their approach to the product or service. This is especially important for exporters who have little experience of foreign trade. Moreover, small distributors tend to have a presence in very specific regions with considerable market experience. It is important that an exporter does not enter into an agreement simply due to the initial eagerness shown by the distributor or by their persistence. Some
distributors represent so many firms that they are not able to provide adequate support to exporters. Therefore, it is important that exporters develop an objective measure to select a distributor that best meet their short and medium term needs.

**Pricing**

The first mistake that exporters tend to make is that they convert their domestic price into the foreign currency. It is important to remember that foreign products compete with domestically produced goods and therefore price is an important consideration. More importantly, the Indian market is very price sensitive. Although, the Indian consumers are willing to pay for quality the premium may not be as large as in many other countries. As a result of this a number of producers have found it beneficial to produce smaller more ‘economically priced’ portions. An important part of Indian buyer behaviour is to negotiate the price especially for non-FMCG products. It is important that any pricing strategy is able to incorporate discounts and in some cases trade-ins of old products.

**Import Tariffs and Documentation**

In the early 1990s India initiated a programme of economic reforms which have included a process of reducing import tariffs. The average import tariff in 1991 was 350% compared to the current rate of 10%. The current set of import tariffs are governed by the Export Import Policy of 2002-2007. By and large imports are
allowed without any type of licences. There are some items that only be imported by state owned organizations. There are various types of customs duties which are as follows:

- **Basic Customs Duty (BCD):** which is either a specific rate based on the unit of the item (weight, number, etc.), or on the value of the product.
- **Additional Customs Duty (ACD):** this is calculated on the value of the product plus basic customs duty. This is levied on imported products that are similar in nature those domestically manufactured.
- **Special Additional Customs Duty (known as Special CVD):** this is levied on products at the rate of 4%.
- **Anti-dumping Duty:** This is levied on certain products from specified countries in order to protect the domestic industry.
- **Safeguard Duty:** This is levied on products which are thought to damage the domestic industry.
- **Customs Handling Fee:** which is 1% in addition to the above customs duty.

This means that the total customs duty will be \( = \text{BCD} + \text{ACD} + \text{Special CVD} + \text{Customs Handling Fee} \).

The usual document required by Indian authorities include the following:
Import Declaration: this needs to be in the prescribed bill of entry format with full details of the value of the imported products.

Import Licenses where appropriate: this is not required for all products.

Ex-factory invoice: this is required so that customs can verify the value of the imported products.

All commodities need the following declaration except those that require further processing prior to being purchased by the end user.:

- Name and address of importer
- Generic name of the product
- Net quantity
- Date of packaging, manufacture or import
- The maximum retail price at which the commodity can be sold.

Country Snapshot

Area: 3,287,590 sq km

Population: 1,147,995,904 (July 2008 est.)

Population growth rate: 1.578% (2008 est.)

Labour Force

Number in labour force: 516.4 million (2007 est.)

Sectors: agriculture: 60%, industry: 12%, services: 28% (2006)

Unemployment: 7.2% (2007 est.)
**Key Industries**

Textiles, chemicals, food processing, steel, transportation equipment, cement, mining, petroleum, machinery and software.

**Exports Commodities:** gems and jewellery, non-ferrous metals, manufactures of metals, plastic and articles thereof, manmade yarn, fabrics and made-ups, machine tools and transport goods, RMG cotton, iron and steel, electronic goods.

**Exports:** $162.9 billion (2007-08 estimates)

**Imports Commodities:** crude oil, machinery, gems, fertilizer and chemicals.

**Imports:** $251.4 billion (2007-08 estimates)

**Economy**

India's diverse economy encompasses traditional village farming, modern agriculture, handicrafts, a wide range of modern industries, and a multitude of services. Services are the major source of economic growth, accounting for more than half of India's output with less than one quarter of its labour force. About three-fifths of the work force is in agriculture, leading the UPA government to articulate an economic reform program that includes developing basic infrastructure to improve the lives of the rural poor and boost economic performance. The government has reduced controls on foreign trade and investment. Tariffs averaged 12.5% on non-agricultural items in 2006. Higher limits on foreign direct investment were permitted in a few key sectors, such as telecommunications.
However, tariff spikes in sensitive categories, including agriculture, and incremental progress on economic reforms still hinder foreign access to India’s vast and growing market. Privatization of government owned industries remained stalled in 2006, and continues to generate political debate; populist pressure from within the UPA government and from its Left Front alliance continues to restrain needed initiatives. The economy has posted an average growth rate of more than 7% in the decade since 1996, reducing poverty by about 10 percentage points. India achieved 8.5% GDP growth in 2006, significantly expanding manufacturing. India is capitalizing on its large numbers of well educated people skilled in the English language to become a major exporter of software service and software workers. Economic expansion has helped New Delhi continue to make progress in reducing its federal fiscal deficit. However, strong growth - more than 8 percent growth in each of the last three years combined with easy consumer credit and a real estate boom is fueling inflation concerns. The huge and growing population is the fundamental social, economic and environment problem.

The real GDP growth in the country is calculated in the range of 7.5-8.0 percent during the year 2006-07. Presently the Indian Economy is coming across various risks both in the domestic scenario as well as in the international scenario. The global economy suffers from the problem of record level of international crude oil prices, overall inflationary pressures and rising international
interest rates. In the same direction the Indian Economy also suffers from the problem of monsoon, infrastructure bottlenecks, and fiscal imbalances.

Though there are a larger number of ongoing imbalances continuing over the world, still to what extent different sectors in the Indian Economy have responded during this period is explained below.

**Agricultural Sector**

Let us analyze agriculture once considered, as the "Back bone of Indian Economy", is justified to what extent for the Indian Economy today. As to statistics, the actual growth in the agricultural sector during the first four years of the Tenth Five Year Plan was two percent per annum on an average basis. The slower rate of economic growth in the country is being marked due to stagnation in domestic production in the commodities such as wheat, sugar and pulses.

The declining production in the agricultural sector is generally marked due to some constraints like infrastructure bottlenecks, particularly in regard to irrigation facilities; continue to impede speedy adoption of improved technology.

However after analyzing the present scenario on the Indian agricultural in terms of its success story and challenges ahead. It is the time for justifying “Indian Agriculture as the backbone of Indian Economy”.
All the planners, thinkers, and economists tell about services sector, which has the highest percentage share in country’s Gross Domestic Product. But to what extent this fast rising services sector is able enough to solve the problem of inequality, poverty and malnutrition in the Indian Economy. Really it fails and it is the agriculture, which can solve the above problems.

**Industrial Sector**

Indian Industries have entered into an atmosphere of higher competition in the era of globalization. The resilience shown by the industrial sector against the hardening of global oil prices is initiation of economic reforms in the country.

Besides higher levels of investment, issues of governance and management including policies relating to appropriate pricing and user charges would need to be addressed to achieve satisfactory results. Given the rising international crude oil prices and stagnant domestic crude oil production, an integrated approach to efficient use of energy—both oil and non-oil energy resources—assumes importance.

**Services Sector**

India’s services sector has grown very fast as it holds a larger portion of young people. The educated young masses in India have brought tremendous success for the country in the recent years. The services sector in the country has benefited from the availability of vast skilled labour. In the coming year, India is expected to benefit further from the demographic dividend emanating from a
higher proportion of young population. For this demographic dividend to be reaped fully, improvements in education, skills, health and governance would be needed so that the Indian labour force is globally competitive. There is need to improve the availability of educational facilities at all levels-primary, secondary and tertiary to equip the labour with the necessary skills to maintain current competitive advantage.

**External Sector**

The external sector of the Indian economy is also performing better. India is in a path to capture 1 percent of the global trade in the near future. Merchandise export growth of 24 percent per annum, on average, in the past four years points to the growing competitiveness of Indian manufacturing. Improvements in infrastructure assume critical importance for maintaining and improving our competitiveness as also encouraging investment in exports production and sustaining the pace of exports growth in the longer term.

For the full potential of earnings from exports of services to be realized, issues relating to skill enhancement and quality of education assume greater importance. Demand for education, especially higher education, is expected to grow immensely in the coming years in view of the demand emanating from knowledge intensive nature of the services sector as well as demands from the manufacturing sector.
Currency: Rupee (Rs.) = 100 paisa

Denominations: 1, 2, 5, 10, 50, 100, 500 & 1000

Exchange Rate (12-10-2011)

US $ 1 = Rs. 48.97

UK Pound 1 = Rs. 77.01

Euro 1 = Rs. 67.40

GDP (Rs. Billion)

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<td>At Current Prices</td>
<td>28381.15</td>
<td>35419.7</td>
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<tr>
<td>At 1993-1994 Prices</td>
<td>15294.25</td>
<td>19405.7</td>
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Source: Economic Survey 2004-05 (P-Provisional estimates, Q-Quick estimates, Adv-Advance estimates)

GDP (Purchasing Power Parity) $ 4.042 trillion (2006 est.)

GDP (Official Exchange Rate) $ 796.1 billion (2006 est.)

GDP - Real Growth Rate 8.5% (2006 est.)

GDP - Per Capita (PPP) $ 3,700 (2006 est.)

GDP - Composition by Sector

Agriculture: 19.9%

Industry: 19.3%

Services: 60.7% (2005 est.)

Public debt. 52.8% of GDP (federal and state debt combines) (2006 est.)

Agricultural Products

Rice, wheat, oilseed, cotton, jute, tea, sugarcane, potatoes, cattle, water buffalo, sheep, goats, poultry, fish

Industries

Textiles, chemicals, food, processing, steel, transportation equipment, cement, mining, petroleum, machinery & software
### Average Rate of Inflation (%) (Wholesale Price Index Base 1993-94)

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<td>5.4</td>
<td>4.5</td>
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Source: CMIE Annual Review of Indian Economy 2004-05

### Industrial Production Growth Rate

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### Oil Production

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### Oil Consumption

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### Oil Exports

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### Oil Imports

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### Current Account Balance

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### Exports

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### Exports – Commodities

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### Exports – Partners

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### Reserves of Foreign Exchange & Gold

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### Debt. External

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Source: CIA